

BUDGET LETTER

SUBJECT: 2018-19 BUDGET POLICY	NUMBER: 17-15
REFERENCES: BL 17-01 AND BL 17-08	DATE ISSUED: July 17, 2017
	SUPERSEDES: 16-15

TO: Agency Secretaries
Department Directors
Department Chief Counsels
Department Chief Information Officers
Department Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2018-19 Budget. As a reminder, [BL 17-08](#), issued on May 17, 2017, outlines the technical and procedural requirements for preparation of the 2018-19 Governor's Budget.

Priorities

The Administration's primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services and pays down state debts and obligations. We must continue to plan and save for tougher budget times ahead given the higher level of uncertainty at the federal government level and the potential end of the current economic expansion that has surpassed historical averages. Departments must continue to control costs, identify and implement efficiencies, and refrain from creating new—or expanding existing—programs.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) Policy

To maintain a structurally balanced budget and to prepare for tougher budget times ahead, departments' ability to submit BCPs or ECP policy changes for the 2018-19 Budget remains limited. Accordingly, BCPs and ECP policy changes for the 2018-19 Budget for all departments (including those not under the Governor's direct authority) are limited to the following circumstances:

- Statutory changes necessary for departments to manage within their budgets and/or implement efficiencies.
- Expected changes in ECP programs as required under current law.
- Paying down state debts and liabilities.
- Existing or ongoing information technology projects.
- Existing or ongoing capital outlay projects.
- New critical capital outlay proposals to address fire, life, safety, or court-ordered projects.
- Cost-cutting measures or implementing efficiencies to offset unavoidable costs.
- Improved budgeting practices related to mission-based budgeting, or zero-based budgeting, performance measures, and other efforts as directed by [Executive Order B-13-11](#).

Departments must contact their Finance Program Budget Manager ***before*** the BCP or ECP due date, ideally by late July, if there is a critical need that does not meet the criteria outlined above. **I strongly encourage you to work collaboratively with your Finance Program Budget Manager on an ongoing basis to prioritize budget requests prior to submitting any proposals.**

Requests not meeting the criteria above, and that were not discussed with your Finance Program Budget Manager prior to submission, will not be considered for inclusion in the 2018-19 Governor's Budget. They will be returned without review and may not be reconsidered on appeal to Finance's Executive Office.

Finance will collect and review deferred maintenance requests on a statewide basis; therefore, individual BCPs are not necessary. For all other requests, departments must assess whether statutory changes (including Budget Bill language) are necessary to effectuate any BCP or ECP request and provide a draft of the proposed language with the funding request. Finance may modify draft language before submitting proposed statutory changes to the Legislature, through the Legislative Counsel, as required by Government Code §13308. BCPs, including statutory or Budget Bill language changes, are due to Finance no later than Friday, **September 1, 2017**. Contact your Finance budget analyst for fall ECP due dates. Detailed instructions for submitting BCP packages will be provided in a subsequent BL.

Budget Position Transparency

To improve budget transparency, Finance implemented a new budget process and departmental budget display in fall 2015 for the Governor's Budget that more accurately captures departments' expenditures for personal services, staff benefits, and operating expenses and equipment. This budgetary display occurs biennially and the review will be performed again as part of the 2018-19 Governor's Budget process. Details will be included in a separate BL.

Budget Confidentiality

Information contained in BCP and ECP proposals is an integral part of the Governor's deliberation process. Accordingly, departments must treat proposals as privileged and confidential until and unless the proposal is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. **Disapproved, unapproved, and draft BCPs or ECP changes (i.e., proposals not released to the Legislature) remain confidential indefinitely, and may not be released.** Final BCPs are those that contain a Finance supervisor's signature/approval attesting that the BCP has been submitted to the Legislature. BCPs approved by the Administration will be posted on [Finance's website](#).

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Amy Costa for

MICHAEL COHEN
Director